

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Clarence Township	County Calhoun
Fiscal Year End 3/31/08	Opinion Date 5/19/08	Date Audit Report Submitted to State 5/20/08	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

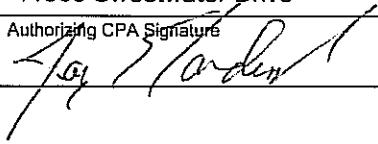
US
GA

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Cardinal Tepatti & Co., P.C.		Telephone Number 517-627-4008	
Street Address 11966 Sweetwater Drive		City Grand Ledge	State MI
Zip 48837			
Authorizing CPA Signature 	Printed Name Jay E Cardinal	License Number 9698	

CLARENCE TOWNSHIP

CALHOUN COUNTY

AUDIT REPORT

YEAR ENDED MARCH 31, 2008

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Jay E. Cardinal, CPA
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INDEPENDENT AUDITOR'S REPORT

Honorable Board Members
Clarence Township
Albion, MI 48821

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clarence Township, Albion, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Clarence Township management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Clarence Township, Albion, Michigan, as of March 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, pages 2 through 4, budgetary comparison information, pages 25 through 27, and combining balance sheet and statement of revenues, expenditures, and changes and fund balance, pages 28 and 29, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Clarence Township, Albion, Michigan, basic financial statements. The introductory section and combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Cardinal Tepatti & Co., P.C.

Grand Ledge, Michigan
May 19, 2008

**CLARENCE TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED MARCH 31, 2008**

The management of the Clarence Township, ("the Township") offers this narrative overview and analysis of the financial activities of the Township for the year ended March 31, 2008 for the benefit of the readers of these financial statements. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the Township's financial activity. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

Financial Highlights

The Township's assets exceeded its liabilities by \$1,814,873 (net assets) for the current year. This compares to the previous year when assets exceeded liabilities by \$1,923,892.

Total net assets are comprised of the following:

- (1) Capital assets, of \$1,464,204 includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
- (2) Unrestricted net assets of \$350,669 represent the portion available to maintain the Township's continuing obligations to citizens and creditors.

The Township's governmental funds reported total ending fund balance of \$170,884 this year. This compared to the prior year ending fund balance of \$235,884 showing a decrease of \$65,000 during the year. The total fund balance was unreserved at each year end.

At the end of the current fiscal year, unreserved fund balance for the General Fund was \$114,969, or 44.7% of total General Fund expenditures including transfers and 41.1% of total General Fund revenues including transfers.

State-shared revenue, the general fund's largest revenue source, was increased by \$1,156 by the State of Michigan.

Overview of the Financial Statements

The Township's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, the difference between the two being reported as the Net Assets of the Township. Over time, increases or decreases in net assets can serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities gives the information on the revenues and expenses causing the underlying change in the government's net assets during the most recent year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows.

The government-wide financial statements can be found on pages 5 and 6 of this report.

Focus on Funds

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Township are categorized as governmental funds.

The Township has three kinds of funds:

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide information to facilitate this comparison between governmental funds and governmental activities.

The Township maintains four individual governmental funds. Information for these funds is presented in the fund balance sheets and fund statements of revenue, expenditures, and changes in fund balances. The general fund is considered to be a major fund and the three capital project funds are considered to be non-major funds.

The Township adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided for the general fund in the required supplementary information.

Proprietary funds are reported in the fund financial statements and generally report services for which the Township charges customers a fee. The Township only has one kind of proprietary fund, this is an enterprise fund. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the Township organization such as sewer utilities.

Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail for the sewer fund.

Fiduciary funds such as the cemetery trust fund are reported in the fiduciary fund financial statements, but are excluded from government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund Township programs. Fiduciary fund financial statements report similarly to proprietary funds.

The basic governmental, proprietary, and fiduciary fund financial statements can be found on pages 7 through 15 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16 through 24 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's general fund budget on pages 25 through 27 and combining statements for non-major funds on pages 28 and 29.

The table below compares key financial information in condensed format:

	Governmental		Business-Type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
ASSETS						
Cash and Cash Equivalents	\$ 174,457	\$ 230,384	\$ 1,852	\$ 18,460	\$ 176,309	\$ 248,844
Investments			85,715	124,000	85,715	124,000
Receivables - Net	10,119	26,111	96,240	486,357	106,359	512,468
Prepaid Insurance	2,839	3,500	3,625	4,375	6,464	7,875
Assets Restricted by Bond Indentures			81,736	117,080	81,736	117,080
Capital Assets - Net	77,905	79,997	1,386,299	1,280,939	1,464,204	1,360,936
Total Assets	265,320	339,992	1,655,467	2,031,211	1,920,787	2,371,203
LIABILITIES						
Accounts Payable	1,725	2,125	102,341	48,007	104,066	50,132
Accrued and Other Liabilities	1,848	2,304		4,875	1,848	7,179
Noncurrent Liabilities						
Due Within One Year				35,000		35,000
Due in More Than One Year				355,000		355,000
Total Liabilities	3,573	4,429	102,341	442,882	105,914	447,311
NET ASSETS						
Invested in Capital Assets	77,905	79,997	1,386,299	890,939	1,464,204	970,936
Restricted for Debt Service				117,080		117,080
Unrestricted	183,842	255,566	166,827	580,310	350,669	835,876
Total Net Assets	\$ 261,747	\$ 335,563	\$ 1,553,126	\$ 1,588,329	\$ 1,814,873	\$ 1,923,832
REVENUE						
Property Taxes	\$ 108,509	\$ 150,542	\$	\$	\$ 108,509	\$ 150,542
State Shared Revenue	139,802	138,646			139,802	138,646
Investment Earnings	3,007	963	14,495	30,337	17,502	31,300
Miscellaneous	9,750	10,553			9,750	10,553
Charges for Services	25,514	22,769	127,659	128,359	153,173	151,128
Total Revenue	286,587	323,453	142,154	158,696	428,736	482,149
EXPENSES						
Township Services	360,398	293,902			360,398	293,902
Sewer Service			177,357	178,617	177,357	178,617
Total Expenditures	360,398	293,902	177,357	178,617	537,755	472,519
CHANGE IN NET ASSETS	\$ (73,816)	\$ 29,551	\$ (35,203)	\$ (19,921)	\$ (109,019)	\$ 9,630

Contacting the Township

This financial report is designed to provide the wide variety of users of this document with a general overview of the Township's finances and demonstrate the Township's accountability for the money entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to the Clarence Township, 27052 R Drive North, Albion, Michigan 49224.

**CLARENCE TOWNSHIP
STATEMENT OF NET ASSETS
MARCH 31, 2008**

	Governmental Activities	Primary Government Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 174,457	\$ 1,852	\$ 176,309
Investments		85,715	85,715
Receivables - Net	10,119	96,240	106,359
Prepaid Insurance	2,839	3,625	6,464
Assets Restricted by Bond Indentures		81,736	81,736
Capital Assets - Net	<u>77,905</u>	<u>1,386,299</u>	<u>1,464,204</u>
 Total Assets	 <u>265,320</u>	 <u>1,655,467</u>	 <u>1,920,787</u>
 LIABILITIES			
Accounts Payable	1,725	102,341	104,066
Accrued and Other Liabilities	<u>1,848</u>		<u>1,848</u>
 Total Liabilities	 <u>3,573</u>	 <u>102,341</u>	 <u>105,914</u>
 NET ASSETS			
Invested in Capital Assets	77,905	1,386,299	1,464,204
Unrestricted	<u>183,842</u>	<u>166,827</u>	<u>350,669</u>
 Total Net Assets	 <u>\$ 261,747</u>	 <u>\$ 1,553,126</u>	 <u>\$ 1,814,873</u>

The notes to the financial statements are an integral part of this statement.

**CLARENCE TOWNSHIP
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2008**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental Activities:								
General Government	\$ 171,374	\$ 9,445	\$	\$	\$ (161,929)	\$	\$ (161,929)	
Public Safety	180,951	16,069			(164,882)		(164,882)	
Public Works	8,073		4,339		(3,734)		(3,734)	
Total Governmental Activities	360,398	25,514	4,339	-0-	(330,545)	-0-	(330,545)	
Business-type Activities - Sewer	177,357	127,659	-0-	-0-		(49,698)	(49,698)	
Total Primary Government	\$ 537,755	\$ 153,173	\$ 4,339	\$ -0-	(330,545)	(49,698)	(380,243)	
General Revenues:								
Property Taxes					108,509		108,509	
State-Shared Revenues					139,802		139,802	
Unrestricted Investment Earnings					3,007	14,495	17,502	
Franchise Fees					1,273		1,273	
Miscellaneous					2,708		2,708	
Transfers					1,430		1,430	
Total General Revenues and Transfers					256,729	14,495	271,224	
Change in Net Assets					(73,816)	(35,203)	(109,019)	
Net Assets - April 1					335,563	1,588,329	1,923,892	
Net Assets - March 31					\$ 261,747	\$ 1,553,126	\$ 1,814,873	

The notes to the financial statements are an integral part of this statement.

**CLARENCE TOWNSHIP
GOVERNMENTAL FUNDS
BALANCE SHEET
MARCH 31, 2008**

	<u>General</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 123,377	\$ 62,545	\$ 185,922
Receivables:			
Taxes	<u>10,119</u>		<u>10,119</u>
Total Assets	<u>\$ 133,496</u>	<u>\$ 62,545</u>	<u>\$ 196,041</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts Payable	\$ 1,725	\$	\$ 1,725
Accrued and Other Liabilities	1,847		1,847
Due to Other Funds	4,836	6,630	11,466
Deferred Revenues	<u>10,119</u>		<u>10,119</u>
Total Liabilities	<u>18,527</u>	<u>6,630</u>	<u>25,156</u>
FUND EQUITY			
Fund Balance - Unreserved	<u>114,969</u>	<u>55,915</u>	<u>170,884</u>
Total Fund Equity	<u>114,969</u>	<u>55,915</u>	<u>170,884</u>
Total Liabilities and Fund Equity	<u>\$ 133,495</u>	<u>\$ 62,545</u>	<u>\$ 196,040</u>

The notes to the financial statements are an integral part of this statement

**CLARENCE TOWNSHIP
GOVERNMENTAL FUNDS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL
FUNDS TO STATEMENT OF NET ASSETS
MARCH 31, 2008**

Total fund balance -Total governmental funds	\$ 170,884
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the governmental fund financial statements.	247,232
Accumulated depreciation has not been included in the governmental fund financial statements.	(169,327)
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	10,119
Prepaid items are not available to pay current-period expenditures and, therefore, not reported in the funds.	<u>2,839</u>
Net assets of governmental activities	\$ <u><u>261,747</u></u>

The notes to financial statements are an integral part of this statement.

**CLARENCE TOWNSHIP
GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2008**

	General	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 107,048	\$ 7,524	\$ 114,572
State Grants	139,802	4,339	144,141
Licenses & Permits	17,342		17,342
Charges for Services	4,845		4,845
Interest & Rentals	6,572	1,035	7,607
Other Revenue	2,708		2,708
	<u>278,317</u>	<u>12,898</u>	<u>291,215</u>
Total Revenues	<u>278,317</u>	<u>12,898</u>	<u>291,215</u>
EXPENDITURES			
Current:			
General Government	167,527		167,527
Public Safety	78,618	101,977	180,595
Public Works		9,397	9,397
Capital Outlay	126		126
	<u>246,271</u>	<u>111,374</u>	<u>357,645</u>
Total Expenditures	<u>246,271</u>	<u>111,374</u>	<u>357,645</u>
Excess of Revenues Over (Under) Expenditures	<u>32,046</u>	<u>(98,476)</u>	<u>(66,430)</u>
Other Financing Sources (Uses)			
Operating Transfers In	1,430	11,000	12,430
Operating Transfers Out	(11,000)		(11,000)
	<u>(9,570)</u>	<u>11,000</u>	<u>1,430</u>
Total Other Financing Sources (Uses)	<u>(9,570)</u>	<u>11,000</u>	<u>1,430</u>
Net Change in Fund Balances	22,476	(87,476)	(65,000)
Fund Balance - April 1	<u>92,493</u>	<u>143,391</u>	<u>235,884</u>
Fund Balance - March 31	<u>\$ 114,969</u>	<u>\$ 55,915</u>	<u>\$ 170,884</u>

The notes to the financial statements are an integral part of this statement

**CLARENCE TOWNSHIP
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE TO STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2008**

Net Change in Fund Balance - Total Governmental Funds	\$ (65,000)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.	
Capital asset purchases capitalized	1,324
Depreciation expense	(3,416)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Property taxes	(6,064)
Prepaid items reduce expenses reported in the statement of activities, but are reported as expenditures in the governmental funds because they require the use of current financial resources.	
	<u>(661)</u>
Change in Net Assets of Governmental Activities	\$ <u><u>(73,817)</u></u>

The notes to financial statements are an integral part of this statement.

**CLARENCE TOWNSHIP
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
MARCH 31, 2008**

	<u>Enterprise- Sewer Fund</u>
ASSETS	
CURRENT ASSETS:	
Cash and Cash Equivalents	\$ 1,852
Investments - At Cost	85,715
Receivables:	
Special Assessment Receivable - Current	49,312
Prepaid Expenses	<u>3,625</u>
Total Current Assets	140,504
NONCURRENT ASSETS:	
Restricted Assets:	
Cash and Cash Equivalents	81,736
Special Assessment Receivable	46,928
Capital Assets - Net	<u>1,386,299</u>
Total Noncurrent Assets	<u>1,514,963</u>
Total Assets	1,655,467
LIABILITIES	
CURRENT LIABILITIES:	
Accounts Payable	<u>102,341</u>
Total Current Liabilities	102,341
NET ASSETS	
Investment in Capital Assets - Net of Related Debt	1,386,299
Unrestricted	<u>166,827</u>
Total Net Assets	<u>\$ 1,553,126</u>

The notes to the financial statements are an integral part of this statement

**CLARENCE TOWNSHIP
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2008**

	<u>Enterprise Sewer Fund</u>
OPERATING REVENUES:	
Charges for Services	\$ 121,909
Other Revenue	<u>5,750</u>
Total Operating Revenues	<u>127,659</u>
OPERATING EXPENSES:	
Cost of Sewage Treatment	106,564
Billing and Administrative Costs	12,748
Depreciation	<u>53,239</u>
Total Operating Expenses	<u>172,551</u>
OPERATING LOSS	<u>(44,892)</u>
NONOPERATING REVENUE (EXPENSES)	
Interest Received on Special Assessments	10,392
Interest Revenue	4,103
Interest Expense & Fiscal Charges	<u>(4,806)</u>
Total Nonoperating Revenues (Expenses)	<u>9,689</u>
CHANGE IN NET ASSETS	(35,203)
NET ASSETS - APRIL 1	<u>1,588,329</u>
NET ASSETS - MARCH 31	\$ <u><u>1,553,126</u></u>

The notes to financial statements are an integral part of this statement

**CLARENCE TOWNSHIP
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2008**

	<u>Enterprise Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received From Customers	\$ 174,452
Cash Payments for Goods & Services	(108,533)
Cash Payments to Employees	<u>(7,363)</u>
Net Cash Provided by Operating Activities	<u>58,556</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Collection of Special Assessments	56,822
Principal Paid on Revenue Bonds	(390,000)
Interest Paid on Revenue Bonds	(4,806)
Decrease in Due From County	<u>333,295</u>
Net Cash Provided by Capital and Related Financing Activities	<u>(4,689)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received on Special Assessments	10,392
Interest on Investments	4,103
Purchase of Equipment	(158,597)
Sale of Investments	<u>38,284</u>
Net Cash Used in Investing Activities	<u>(105,819)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(51,952)
CASH AND CASH EQUIVALENTS - APRIL 1	<u>135,540</u>
CASH AND CASH EQUIVALENTS - MARCH 31	<u>\$ 83,588</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES	
Operating Income (Loss)	\$ <u>(44,892)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities	
Depreciation	53,239
(Increase) Decrease in Prepaid Expenses	750
Increase (Decrease) in Accounts Payable	54,334
Increase (Decrease) in Accrued Interest Payable	<u>(4,875)</u>
Total Adjustments	<u>103,448</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 58,556</u>

The notes to financial statements are an integral part of this statement

**CLARENCE TOWNSHIP
FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
MARCH 31, 2008**

	Cemetery Trust
ASSETS	
Investments	\$ <u>58,752</u>
Total Assets	<u>58,752</u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	(424)
NET ASSETS	
Reserved	<u>58,752</u>
Total Net Assets	\$ <u>58,752</u>

The notes to financial statements are an integral part of this statement

**CLARENCE TOWNSHIP
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET ASSETS
MARCH 31, 2008**

ADDITIONS

Cemetery Lot Sales	\$ 775
Investment Income - Interest	<u>1,431</u>
Total Additions	2,206

DEDUCTIONS

Transfers	<u>1,431</u>
Change in Net Assets	775
Net Assets - April 1	<u>57,553</u>
Net Assets - March 31	<u><u>\$ 58,328</u></u>

The notes to financial statements are an integral part of this statement

**CLARENCE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Clarence Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by Clarence Township:

The Reporting Entity

Clarence Township is governed by an elected five-member Board of Trustees. The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing relationships. In accordance with generally accepted accounting principles, there are no component units to be included in these financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Township. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, generally financed in whole or in part with fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the later are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Fund Financial Statements

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental activities. These statements present each major fund as a separate column on the fund financial statements.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current resources. The Township has presented the following governmental funds:

General Fund – The general fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The general fund is the Township's only major governmental fund.

**CLARENCE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONT'D

Capital Improvement Funds – These funds are used to account for financial resources to be used for the construction or improvement of major capital facilities (other than those financed by proprietary funds, special assessment funds, and trust funds).

The Township reports the following major proprietary funds:

Sewer Funds – The Sewer Funds account for the activities of the sewage distribution system. This fund is financed primarily by a user charge for the provision of those services.

Additionally, the Township reports the following fund types:

Fiduciary Funds – Fiduciary funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, other governments, or other finds. These include the Cemetery Trust and Tax Collection Funds. These funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Non-major Governmental Fund – The non-major governmental fund consists of the Capital Improvement Funds. These funds are used to account for the development of capital facilities other than those financed by the operations of an Enterprise Fund.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgements are recorded only when payment is due.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with standards of the Governmental Accounting Standards Board.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

**CLARENCE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONT'D

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for services. The Sewer Operations Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

Bank Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity date within three months or less when acquired.

Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Interest incurred during construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

**CLARENCE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONT'D

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 50 years
Furniture and Fixtures	5 to 20 years
Machinery & Equipment	4 to 10 years
Sewer System	50 years
Vehicles	10 years

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Property Taxes

The Township property tax is levied on each December 1, on the State taxable valuation of property located in the Township as of the preceding December 31st.

Although the Township 2007 ad valorem tax is levied and collectible on December 31, 2007 it is the Township's policy to recognize revenue from this year's tax levy.

The 2007 State Equalized Valuation of the Township totaled \$106,893,240 and the State Taxable Valuation was \$72,322,778, on which ad valorem taxes levied consisted of .9974 mills and raising \$72,135 for Township operations.

**CLARENCE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget Policies

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and State Law for the general fund and special revenue funds. All annual appropriations lapse at fiscal year end. Encumbrances are not employed.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the activity level. Expenditures in excess of amounts budgeted are a violation of Michigan Law. State law permits entities to amend their budgets during the year. There were no significant amendments during the year.

Excess of Expenditures Over Appropriations in Budgeted Funds

<u>Fund</u>	<u>Appropriated</u>	<u>Expended</u>	<u>Variance</u>
General Government:			
Legislative	\$ 4,080	\$ 4,263	\$ (183)
Treasurer	14,702	14,719	(17)

NOTE 3 - CASH

Michigan Compiled Laws, section 129.91, authorizes the Township to make deposits and invest in the accounts of the federally insured banks, credit unions, and savings and loan associations which have offices in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated two banks for deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments in bank accounts and CDs, but not the remainder of State statutory Township as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

**CLARENCE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 – CASH – CONT'D

At year-end, the Local Unit's deposits and investments were reported in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and Cash Equivalents	\$174,457	\$ 1,852	\$	\$ 176,309
Investments	<u> </u>	<u>85,715</u>	<u>58,752</u>	<u>144,467</u>
Total	<u>\$174,457</u>	<u>\$ 87,567</u>	<u>\$58,752</u>	<u>\$ 320,776</u>

The Breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (checking and savings accounts)	\$176,309
Investments in certificates of deposit	<u>144,467</u>
Total	<u>\$320,776</u>

The bank balance of the primary government's deposits is \$450,144, of which \$200,538 is covered by federal depository insurance.

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Local Governmental Unit or its agent in the government's name;
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Local Governmental Unit's name.

At year-end, the government's investment balances were categorized as follows:

	<u>Category</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Reported Amount (Fair Value)</u>
Certificates of Deposit		<u>\$144,467</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$144,467</u>

**CLARENCE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – RECEIVABLES

Receivables as of year-end for the government's individual major and non-major funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Sewer Fund	Non-Major and Other Funds	Total
	\$	\$	\$	\$
Taxes Receivable	10,119			10,119
Special Assessments		96,240		96,240
Net Receivables	<u>\$ 10,119</u>	<u>\$ 96,240</u>	<u>\$ -0-</u>	<u>\$ 106,359</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

Taxes	<u>Unavailable</u> <u>\$10,119</u>
-------	---------------------------------------

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of inter-fund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due To/From Other Funds		
Tax Collection Fund	General Fund	\$ 4,836
	Fire Equipment Fund	<u>6,630</u>
Total		<u>\$ 11,466</u>

These balances result from the time lag between the dates that goods and services are provided and reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Inter-fund transfers reported in the fund financial statements are comprised of the following:

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Equipment Fund	\$6,000
General Fund	Road Fund	5,000
Cemetery Trust Fund	General Fund	1,430

**CLARENCE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 – CAPITAL ASSETS

Capital asset activity of the primary unit for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 2,000	\$	\$	\$ 2,000
Capital Assets Being Depreciated				
Buildings	159,000			159,000
Furniture and Fixtures	84,908	1,324		86,232
Subtotal	243,908	-0-	-0-	245,232
Less Accumulated Depreciation	165,912	3,416		169,328
Net Capital Assets Being Depreciated	77,996	(2,092)	-0-	75,904
Governmental Activities Total Capital Assets - Net of Depreciation	<u>\$ 79,996</u>	<u>\$ (2,092)</u>	<u>\$ -0-</u>	<u>\$ 77,904</u>
Business-Type Activities				
Capital Assets Not Being Depreciated				
Land	\$ 118,712	\$	\$	\$ 118,712
Construction in Process	35,000	147,398		182,398
Subtotal	153,712	147,398	-0-	301,110
Capital Assets Being Depreciated				
Buildings	12,106			12,106
Sewer System	2,447,887			2,447,887
Equipment	100,540	11,200	16,012	95,728
Subtotal	2,560,533	11,200	16,012	2,555,721
Less Accumulated Depreciation	1,433,306	53,238	-16,012	1,470,532
Net Capital Assets Being Depreciated	1,127,227	(42,038)	-0-	1,085,189
Business-Type Activities Total Capital Assets - Net of Depreciation	<u>\$ 1,280,939</u>	<u>\$ 105,360</u>	<u>\$ -0-</u>	<u>\$ 1,386,299</u>

Depreciation expense was charged to programs as follows:

Governmental Activities:	
General Government	\$ 3,416
Business-Type Activities:	
Sewer	\$ 53,238

**CLARENCE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 – RESTRICTED ASSETS

Certain proprietary funds report restricted assets for cash deposited in bank accounts legally restricted for specified uses such as the payment of fiscal fees on long-term debt or mortgage loans.

NOTE 8 - LONG-TERM DEBT

Included in the business-type activities are special assessment bonds that were issued November 23, 1977. These bonds totaling \$996,000, were used to construct a sewage treatment system. The Township pledged its full faith and credit for payment. These bonds are payable over 40 years with interest at 5.0%.

Total interest incurred for the Township for the year was \$4,806.

Long-term obligation activity can be summarized as follows:

	<u>Interest</u>	<u>Principal</u>	<u>Beginning</u>	<u>Additions</u>	<u>Ending</u>	<u>Due Within</u>
Business-type Activity	<u>Rate</u>	<u>Matures</u>	<u>Balance</u>	<u>(Reductions)</u>	<u>Balance</u>	<u>One Year</u>
Special Assessment Bonds						
1977 sewage disposal Bonds	5.00%	11-1-17	\$390,000	(\$390,000)	\$ -0-	\$ -0-

The Township intends to issue \$1,252,000 Special Assessment Limited Tax Bond to finance improvements to the Township's sanitary sewer treatment plant serving Special Assessment District No. 1. This bond will bear interest at 4.125% and will be payable over 40 years. The bond will be paid from collection of principal and interest on the special assessment roll for people being serviced by these sewer improvements.

NOTE 9 - RISK FINANCING

The Township is exposed to various risks of loss related to theft of, damage to, and distribution of assets; errors and omissions; and injuries to employees. The Township purchases insurance from independent third parties for claims relating to general liability, excess liability, auto liability, errors and omissions, physical damage (equipment, building and contents) and workers' compensation. Settlement amounts have not exceeded insurance coverage for the current or three prior years.

NOTE 10 – CONTINGENT LIABILITY

Calhoun County DPW has owned and operated the Township's sanitary sewer collection and treatment system since its construction in approximately 1978. The Board of Public Works also serves in the dual capacity as the County Road Commission. During that time, the DPW has incurred costs and expenses for which have been paid from County Road Commission funds, for which it alleges it is entitled to reimbursement from Clarence Township. Recently, the DPW indicated that the amount owed by the Township is \$471,528. To our knowledge there is no contractual undertaking by the Township which authorized the advancement of funds or promised payment.

The Township has requested itemization and supporting documentation from the DPW on several occasions. As of March 31, 2008, the itemization and documentation has not been provided. It is anticipated that some portion of the alleged sum is fairly owed to the DPW by the Township, while some will be contested. The Township is unable to estimate at March 31, 2008 how much will fall in either category.

CLARENCE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED MARCH 31, 2008

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavor)
Revenues:				
Taxes:				
Current Taxes	\$ 55,200	\$ 72,200	\$ 73,735	\$ 1,535
Administrative Fee	29,700	29,700	30,240	540
Penalties and Interest	360	360	756	396
Special Assessments	2,000	2,000	2,317	317
	<u>87,260</u>	<u>104,260</u>	<u>107,048</u>	<u>2,788</u>
State Grants:				
State Shared Revenue	<u>138,500</u>	<u>141,042</u>	<u>139,802</u>	<u>(1,240)</u>
Licenses and Permits:				
Construction Permits	17,700	17,700	16,069	(1,631)
Cable TV Franchise Fees	1,280	1,280	1,273	(7)
	<u>18,980</u>	<u>18,980</u>	<u>17,342</u>	<u>(1,638)</u>
Charges for Services:				
Cemetery Grave Openings	3,000	3,000	4,070	1,070
Cemetery Lot Sales	800	800	775	(25)
	<u>3,800</u>	<u>3,800</u>	<u>4,845</u>	<u>1,045</u>
Interest and Rentals:				
Interest	200	200	1,972	1,772
Hall Rental	4,000	4,000	4,600	600
	<u>4,200</u>	<u>4,200</u>	<u>6,572</u>	<u>2,372</u>
Other Revenue	<u>2,200</u>	<u>2,200</u>	<u>2,708</u>	<u>508</u>
Total Revenues	<u>254,940</u>	<u>274,482</u>	<u>278,317</u>	<u>3,835</u>
Expenditures:				
Current:				
General Government:				
Legislative:				
Salaries	4,040	4,080	4,263	(183)
Supervisor:				
Salary	9,410	9,410	9,408	2
Expenses & Supplies	200	280	240	40
	<u>9,610</u>	<u>9,690</u>	<u>9,648</u>	<u>42</u>
Election:				
Salary	1,500	1,500	1,539	(39)
Publications & Supplies	1,050	1,950	1,554	396
	<u>2,550</u>	<u>3,450</u>	<u>3,093</u>	<u>357</u>
Assessor:				
Salaries	16,700	16,700	16,681	19
Expenses & Supplies	800	800	561	239
	<u>\$ 17,500</u>	<u>\$ 17,500</u>	<u>\$ 17,242</u>	<u>\$ 258</u>

The notes to financial statements are an integral part of this statement

CLARENCE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED MARCH 31, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor)</u>
General Government (cont'd):				
Clerk:				
Salaries	\$ 12,695	\$ 12,695	\$ 12,432	\$ 263
Postage	2,800	2,800	2,586	214
Publications & Supplies	3,900	5,600	6,113	(513)
Professional	13,000	14,000	6,867	7,133
Dues & Subscriptions	1,400	1,450	1,548	(98)
Conferences & Workshops	200	300	-0-	300
Miscellaneous	1,000	1,202	1,328	(126)
	<u>34,995</u>	<u>38,047</u>	<u>30,874</u>	<u>7,173</u>
Board of Review:				
Salaries	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>	<u>-0-</u>
Treasurer:				
Salaries	14,102	14,102	14,102	-0-
Supplies & Expenses	600	600	617	(17)
	<u>14,702</u>	<u>14,702</u>	<u>14,719</u>	<u>(17)</u>
Township Hall:				
Salaries	25,800	25,900	25,457	443
Telephone	2,000	2,000	1,502	498
Office & Maint. Supplies	800	1,300	1,167	133
Janitorial & Lawn Care	2,700	2,700	2,263	437
Repairs & Maintenance	2,700	4,500	6,821	(2,321)
Utilities	5,530	6,100	5,474	626
Miscellaneous	2,325	5,200	1,560	3,640
	<u>41,855</u>	<u>47,700</u>	<u>44,245</u>	<u>3,455</u>
Miscellaneous Expenses:				
Drain-at-Large	4,000	4,000	1,400	2,600
Street Lighting	2,400	2,400	1,810	590
Recycling	1,800	1,800	1,441	359
Miscellaneous	2,715	13,092	650	12,442
Insurance	10,000	10,500	7,442	3,058
	<u>20,915</u>	<u>31,792</u>	<u>12,743</u>	<u>19,049</u>
Cemetery:				
Sexton Salary	4,737	4,737	4,737	-0-
Lawn Care	14,000	14,000	13,082	918
Grave Opening & Closing	3,000	3,000	3,875	(875)
Maintenance	2,000	8,100	7,806	294
	<u>\$ 23,737</u>	<u>\$ 29,837</u>	<u>\$ 29,500</u>	<u>\$ 337</u>

The notes to financial statements are an integral part of this statement

CLARENCE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED MARCH 31, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor)</u>
Public Safety:				
Fire Protection:				
Fixed Cost	\$ 20,000	\$ 20,000	\$ 20,000	\$ -0-
Runs	40,000	40,000	37,600	2,400
Capital Outlay	-0-	-0-	584	(584)
	<u>60,000</u>	<u>60,000</u>	<u>58,184</u>	<u>1,816</u>
State Construction Code				
Enforcement:				
Salaries & Fees	21,305	21,805	18,148	3,657
Conferences and Workshops	2,000	2,325	1,123	1,202
Expenses	800	940	532	408
	<u>24,105</u>	<u>25,070</u>	<u>19,803</u>	<u>5,267</u>
Planning Commission:				
Salaries	1,600	1,600	610	990
Expenses	100	100	21	79
	<u>1,700</u>	<u>1,700</u>	<u>631</u>	<u>1,069</u>
Capital Outlay	<u>2,000</u>	<u>2,126</u>	<u>126</u>	<u>2,000</u>
Total Expenditures	<u>258,909</u>	<u>286,894</u>	<u>246,271</u>	<u>40,623</u>
Excess of Revenues Over (Under) Expenditures	<u>(3,969)</u>	<u>(12,412)</u>	<u>32,046</u>	<u>44,458</u>
Other Financing Sources (Uses):				
Operating Transfers In	7,000	7,000	1,430	(5,570)
Operating Transfers Out	-0-	(16,000)	(11,000)	5,000
Total Other Financing Sources (Uses)	<u>7,000</u>	<u>(9,000)</u>	<u>(9,570)</u>	<u>(570)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other (Uses)	<u>\$ 3,031</u>	<u>\$ (21,412)</u>	<u>22,476</u>	<u>\$ 43,888</u>
Fund Balances - April 1			<u>92,493</u>	
Fund Balances - March 31			<u>\$ 114,969</u>	

The notes to financial statements are an integral part of this statement

**CLARENCE TOWNSHIP
OTHER SUPPLEMENTAL INFORMATION
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2008**

	Fire Equipment & Replacement Fund	Road Fund I	Equipment Fund	Totals
ASSETS				
Cash and Cash Equivalents	\$ 30,424	\$ 15,204	\$ 16,917	\$ 62,545
Total Assets	<u>\$ 30,424</u>	<u>\$ 15,204</u>	<u>\$ 16,917</u>	<u>\$ 62,545</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Due to Other Funds	\$ 6,630	\$ -	\$ -	\$ 6,630
Total Liabilities	<u>6,630</u>	<u>-0-</u>	<u>-0-</u>	<u>6,630</u>
FUND EQUITY				
Fund Balance - Unreserved	<u>23,794</u>	<u>15,204</u>	<u>16,917</u>	<u>55,915</u>
Total Fund Equity	<u>23,794</u>	<u>15,204</u>	<u>16,917</u>	<u>55,915</u>
Total Liabilities and Fund Balances	<u>\$ 30,424</u>	<u>\$ 15,204</u>	<u>\$ 16,917</u>	<u>\$ 62,545</u>

The notes to financial statements are an integral part of this statement

**CLARENCE TOWNSHIP
OTHER SUPPLEMENTAL INFORMATION
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2008**

	Fire Equipment & Replacement Fund	Road Fund I	Equipment Fund	Totals
Revenues:				
Taxes	\$ 7,524	\$	\$	\$ 7,524
State Grants		4,339		4,339
Interest	520	283	232	1,035
Total Revenues	8,044	4,622	232	12,898
Expenditures:				
Public Safety	101,977			101,977
Public Works		7,313	2,084	9,397
Total Expenditures	101,977	7,313	2,084	111,374
Excess of Revenues Over (Under) Expenditures	(93,933)	(2,691)	(1,852)	(98,476)
Other Financing Sources (Uses):				
Operating Transfers In	-0-	5,000	6,000	11,000
Excess of Revenues and Other Sources Over (Under) Expenditures and Other (Uses)	(93,933)	2,309	4,148	(87,476)
Fund Balances - April 1	117,727	12,895	12,769	143,391
Fund Balances - March 31	\$ 23,794	\$ 15,204	\$ 16,917	\$ 55,915

The notes to financial statements are an integral part of this statement

Jay E. Cardinal, CPA
Randall L. Tepatti, CPA
Steven W. Shults, CPA
Thomas J. Bellgraph, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS

May 19, 2008

Honorable Board Members
Clarence Township
27052 R Drive North
Albion, MI 49224

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clarence Township, Albion, Michigan, as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Clarence Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

1. PREPARATION OF FINANCIAL STATEMENTS

Governmental entities are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Responsibility for the financial statements of the Township rests with the Township management. The preparation of financial statements in accordance with GAAP requires internal control over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

It is common for many small to medium-sized governments to rely on the independent auditors in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal controls.

The condition noted in the preceding paragraph exists at Clarence Township. The cause for this condition is simply because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

As a result of this condition, the employees and/or management do not possess the qualifications necessary to prepare the Township's annual financial statements and notes to the financial statements in accordance with GAAP. The Township relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

We recommend the Township consider the proper training for the appropriate staff members to assure that they are able to fully understand what goes into the preparation of the annual audited financial statements and so that they can take responsibility for the preparation of the annual audited financial statements, assure there are no material misstatements, and assure there are appropriate disclosures in accordance with accounting principles generally accepted in the United States of America.

2. DETERMINATION OF ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

During the course of our audit, we have annually performed a search for unrecorded receivable and payable amounts. As a result of that search, journal entries were suggested to the Township's management for entry into the general ledger. In many instances, the suggested receivable and payable amounts would be considered material to the Township's financial statements.

We recommend the Township make determinations of accounts receivable and accounts payable amounts by fund as part of their year-end closing procedures. Documentations supporting the receivable and payable amounts recorded in the general ledger should be retained for audit purposes.

3. MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Material journal entries to properly account for transactions that occurred during the year were proposed by the auditors. These misstatements were not detected by the Township's internal control over financial reporting. Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial positions, results of operations, and cash flows (when applicable), including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. The auditors cannot be a part of internal controls.

We recommend that the Township take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the deficiencies identified as comments 1, 2, and 3 to be material weaknesses in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed the following instance of non compliance:

EXPENDITURES IN EXCESS OF APPROPRIATIONS

During the course of the audit, we noted two instances where expenditures had been incurred in excess of amounts appropriated. This issue was noted in the General Fund and reported in our audit comments last year.

Michigan Public Act 621 of 1978, as amended, provides that the Board shall Adopt formal budgets for the General and all Special Revenue funds and shall not incur expenditures in excess of the amounts appropriated. The budget must include all anticipated expenditures and the related revenue and fund equity to fund these expenditures.

We recommend that the Township Board monitor adopted budgets against actual expenditures and make adjustments as appropriate throughout the year.

This report is intended solely for the use of management and the Township Board of Clarence Township and is not intended to be and should not be used by anyone other than these specified parties.

Cardinal Tepatti & Co. P.C.

Cardinal Tepatti & Co.
Certified Public Accountants